

AN ACT

relating to the computation and rates of the franchise tax;  
decreasing tax rates.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. (a) This Act shall be known as the Franchise Tax  
Reduction Act of 2015.

(b) The legislature finds that the tax imposed by Chapter  
171, Tax Code, has not provided sufficient reliability for property  
tax relief. It is the intent of the legislature to promote economic  
growth by repealing the franchise tax.

SECTION 2. Sections 171.002(a) and (b), Tax Code, are  
amended to read as follows:

(a) Subject to Sections 171.003 and 171.1016 and except as  
provided by Subsection (b), the rate of the franchise tax is 0.75  
~~one~~ percent of taxable margin.

(b) Subject to Sections 171.003 and 171.1016, the rate of  
the franchise tax is 0.375 ~~0.5~~ percent of taxable margin for those  
taxable entities primarily engaged in retail or wholesale trade.

SECTION 3. Sections 171.1016(a) and (b), Tax Code, are  
amended to read as follows:

(a) Notwithstanding any other provision of this chapter, a  
taxable entity whose total revenue from its entire business is not  
more than \$20 ~~\$10~~ million may elect to pay the tax imposed under  
this chapter in the amount computed and at the rate provided by this

1 section rather than in the amount computed and at the tax rate  
2 provided by Section 171.002.

3 (b) The amount of the tax for which a taxable entity that  
4 elects to pay the tax as provided by this section is liable is  
5 computed by:

6 (1) determining the taxable entity's total revenue  
7 from its entire business, as determined under Section 171.1011;

8 (2) apportioning the amount computed under  
9 Subdivision (1) to this state, as provided by Section 171.106, to  
10 determine the taxable entity's apportioned total revenue; and

11 (3) multiplying the amount computed under Subdivision  
12 (2) by the rate of 0.331 [~~0.575~~] percent.

13 SECTION 4. This Act applies only to a report originally due  
14 on or after the effective date of this Act.

15 SECTION 5. The comptroller of public accounts shall conduct  
16 a comprehensive study, no later than September 30, 2016, to  
17 identify the effects of economic growth on future state revenues.  
18 The results of the study shall be reported to the governor and the  
19 Legislative Budget Board. The report should identify revenue  
20 growth allocation options to promote efficiency and sustainability  
21 in meeting the revenue needs of this state, including revenues  
22 allocated by Section 171.4011, Tax Code, upon repeal of the  
23 franchise tax.

24 SECTION 6. This Act takes effect January 1, 2016.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 32 was passed by the House on April 29, 2015, by the following vote: Yeas 115, Nays 29, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 32 on May 28, 2015, by the following vote: Yeas 133, Nays 10, 1 present, not voting, and that the House adopted H.C.R. No. 143 authorizing certain corrections in H.B. No. 32 on May 31, 2015, by the following vote: Yeas 144, Nays 0, 2 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 32 was passed by the Senate, with amendments, on May 24, 2015, by the following vote: Yeas 24, Nays 6, and that the Senate adopted H.C.R. No. 143 authorizing certain corrections in H.B. No. 32 on May 31, 2015, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor